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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/661,271	09/13/2000	Perry S. Ward	10304-003-999	8302

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MORGAN LEWIS & BOCKIUS LLP  
1111 PENNSYLVANIA AVENUE NW  
WASHINGTON, DC 20004

EXAMINER
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SMITH, JEFFREY A

ART UNIT	PAPER NUMBER
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3625

DATE MAILED: 04/08/2005

Please find below and/or attached an Office communication concerning this application or proceeding.

## Office Action Summary

**Application No.**

09/661,271

**Applicant(s)**

WARD ET AL.

**Examiner**

Jeffrey A. Smith

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

### Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

### Status

- 1) ☒ Responsive to communication(s) filed on 10 November 2004.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

### Disposition of Claims

- 4) ☒ Claim(s) 1-111 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-111 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

### Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☒ The drawing(s) filed on 13 September 2000 is/are: a) ☒ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

### Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some \* c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
  - ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

### Attachment(s)

- |  |   |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892)  | 4) <input type="checkbox"/> Interview Summary (PTO-413)<br>Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948)                                   | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152)             |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)<br>Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____  |

**DETAILED ACTION**

***Response to Amendment***

The Declarations filed March 10, 2004 and November 10, 2004 under 37 CFR 1.131 have been considered but are ineffective to overcome the Schmid (US 2002/0029188 A1) reference.

**Declaration of Heil, Scavone, and Ward**

**filed November 10, 2004**

Although the Declaration alleges that conception of the invention was made in the United States, the Declaration does not contain an allegation that the acts relied upon to establish the date prior to the reference or activity were carried out in this country or in a NAFTA country or WTO member country. See 35 U.S.C. 104.

Under 37 CFR 1.131(a), which provides for the establishment of a date of completion of the invention in a NAFTA or WTO member country, as well as in the United States, an applicant can establish a date of completion in a NAFTA member country on or after December 8, 1993, the effective date of section 331 of Public Law 103-182, the North American Free Trade Agreement Act, and can establish a date of completion in a WTO member country other than a NAFTA member country on or after January 1, 1996,

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the effective date of section 531 of Public Law 103-465, the Uruguay Round Agreements Act. Acts occurring prior to the effective dates of NAFTA or URAA may be relied upon to show completion of the invention; however, a date of completion of the invention may not be established under 37 CFR 1.131 before December 8, 1993 in a NAFTA country or before January 1, 1996 in a WTO country other than a NAFTA country. MPEP 715.07(c).

The evidence submitted is insufficient to establish diligence from a date prior to the date of reduction to practice of the Schmid reference to either a constructive reduction to practice or an actual reduction to practice.

Applicant makes no allegation of an actual reduction of practice. Accordingly, the Office will consider Applicant's constructive reduction to practice of July 21, 2000. Further, since there is no actual reduction to practice prior to the effective date of the reference, diligence must be shown.

The critical period in which diligence must be shown begins just prior to the effective date of the reference and ends with the date of the reduction to practice. In the instant case this critical period begins just prior to December 20, 1999 and ends July 21, 2000.

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The Declaration refers to "tasks" that were prepared and enumerated. The Declaration also states that "[a]s indicated by the entries in the Task List, efforts to implement the Precept loan auction program were well underway by December 20, 1999. They continued through 2000 until the program was operational". The Examiner notes that six of the fifty-three tasks are marked as completed prior to December 20, 1999. The remaining forty-seven tasks are not identified (either on the Task List itself or by way of the Declaration) as having been undertaken. The Declaration merely indicates that "efforts to implement the Precept loan auction program were well underway by December 20, 1999" and that "[t]hey continued through 2000 until the program was operational". There is no evidence supporting either an operational program or diligence regarding efforts between December 20, 1999 and such time at which the program was considered "operational". Further, there is no evidence supporting any activities during the critical period.

Applicant is reminded that the actual dates of the acts relied upon to establish diligence must be provided. MPEP 715.07 (ESTABLISHMENT OF DATES).

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**Declaration of Morris**

**filed March 10, 2004**

The Declaration of Francis E. Morris when taken together with the evidence provided therein is effective for the purposes of establishing diligence between February 3, 2000 and July 21, 2000. The Examiner notes, however, that a hiatus remains between just prior to December 20, 1999 and February 3, 2000.

**Claim Rejections - 35 USC § 101**

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1-111 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

As an initial matter, the United States Constitution under Art. I, §8, cl. 8 gave Congress the power to "[p]romote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries". In carrying out this power, Congress authorized under 35 U.S.C. §101 a grant of a patent to "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition or matter, or any

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new and useful improvement thereof." Therefore, a fundamental premise is that a patent is a statutorily created vehicle for Congress to confer an exclusive right to the inventors for "inventions" that promote the progress of "science and the useful arts". The phrase "technological arts" has been created and used by the courts to offer another view of the term "useful arts". See *In re Musgrave*, 167 USPQ (BNA) 280 (CCPA 1970). Hence, the first test of whether an invention is eligible for a patent is to determine if the invention is within the "technological arts".

Further, despite the express language of §101, several judicially created exceptions have been established to exclude certain subject matter as being patentable subject matter covered by §101. These exceptions include "laws of nature", "natural phenomena", and "abstract ideas". See *Diamond v. Diehr*, 450, U.S. 175, 185, 209 USPQ (BNA) 1, 7 (1981). However, courts have found that even if an invention incorporates abstract ideas, such as mathematical algorithms, the invention may nevertheless be statutory subject matter if the invention as a whole produces a "useful, concrete and tangible result." See *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* 149 F.3d 1368, 1973, 47 USPQ2d (BNA) 1596 (Fed. Cir. 1998).

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This "two prong" test was evident when the Court of Customs and Patent Appeals (CCPA) decided an appeal from the Board of Patent Appeals and Interferences (BPAI). See *In re Toma*, 197 USPQ (BNA) 852 (CCPA 1978). In *Toma*, the court held that the recited mathematical algorithm did not render the claim as a whole non-statutory using the Freeman-Walter-Abele test as applied to *Gottschalk v. Benson*, 409 U.S. 63, 175 USPQ (BNA) 673 (1972). Additionally, the court decided separately on the issue of the "technological arts". The court developed a "technological arts" analysis:

The "technological" or "useful" arts inquiry must focus on whether the claimed subject matter...is statutory, not on whether the product of the claimed subject matter...is statutory, not on whether the prior art which the claimed subject matter purports to replace...is statutory, and not on whether the claimed subject matter is presently perceived to be an improvement over the prior art, e.g., whether it "enhances" the operation of a machine. *In re Toma* at 857.

In *Toma*, the claimed invention was a computer program for translating a source human language (e.g., Russian) into a target human language (e.g., English). The court found that the claimed computer implemented process was within the "technological art" because the claimed invention was an operation being performed by a computer within a computer.



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The decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* never addressed this prong of the test. In *State Street Bank & Trust Co.*, the court found that the "mathematical exception" using the Freeman-Walter-Abele test has little, if any, application to determining the presence of statutory subject matter but rather, statutory subject matter should be based on whether the operation produces a "useful, concrete and tangible result". See *State Street Bank & Trust Co.* at 1374. Furthermore, the court found that there was no "business method exception" since the court decisions that purported to create such exceptions were based on novelty or lack of enablement issues and not on statutory grounds. Therefore, the court held that "[w]hether the patent's claims are too broad to be patentable is not to be judged under §101, but rather under §§102, 103 and 112." See *State Street Bank & Trust Co.* at 1377. Both of these analysis goes towards whether the claimed invention is non-statutory because of the presence of an abstract idea. Indeed, *State Street* abolished the Freeman-Walter-Abele test used in *Toma*. However, *State Street* never addressed the second part of the analysis, i.e., the "technological arts" test established in *Toma* because the invention in *State Street* (i.e., a computerized system for determining the year-end income, expense, and capital gain or

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loss for the portfolio) was already determined to be within the technological arts under the *Toma* test. This dichotomy has been recently acknowledged by the Board of Patent Appeals and Interferences (BPAI) in affirming a §101 rejection finding the claimed invention to be non-statutory. See *Ex parte Bowman*, 61 USPQ2d (BNA) 1669 (BdPatApp&Int 2001).

In the present application, there is no recitation of technology in claims 1-38, and 109-111. Additionally, although claims 39-73 purport to set forth a computer system, there is no recitation of structure which moves to define such "system". Finally, a "software program" per se, as recited in claims 74-108, absent its embodiment in a computer-readable medium, does not fall within any of the statutory classes contemplated by 35 USC 101. See MPEP 2106.

#### ***Claim Rejections - 35 USC § 102***

The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless -

(e) the invention was described in (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effects for purposes of this subsection of an application filed in the

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United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language.

Claims 1-5, 7-9, 11-81, and 83-109 are rejected under 35 U.S.C. 102(e) as being anticipated by Schmid (US 2002/0029188 A1).

Schmid discloses a method (see Figs. beginning at 3A), computer system (see Fig. 2), and software program (par. [0051]) for facilitating a loan origination (par. [0007]). Schmid discloses underwriting information development (par. [0026]), access by the prospective lenders to such information; opportunity for the lenders to submit at least one bid (pars. [0033] and [0040]); and providing opportunity for consideration of such bid (par. [0046]).

Schmid discloses a plurality of underwriting levels. Specifically, Schmid discloses the availability of Summary Project Data Files (SPDF) (par. [0031]), Complete Project Data Files (CPDF) (par. [0036]), and third-party due diligence reports (par. [0028]).

Schmid teaches that the method has strictly scheduled timelines and deadlines (beginning at par. [0038]).

Regarding system claims 39-73, the manner in which the system is intended to function, absent any recitation of

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structure, does not provide the patentable moment necessary in distinguishing the instant system from the system already disclosed by Schmid. MPEP 2114.

Regarding claim 109, underwriting is a process of evaluating a loan application to determine the risk involved for the lender. It may involves an analysis of the borrower's creditworthiness and the property itself. To that end, Schmid discloses that the lending sources undergo an underwriting of the potential loan. The lending sources disclosed by Schmid perform due diligence in the evaluation of underwriting information. The lending sources in doing so are engaging in risk assessment. The lending sources may request additional historical records etc (par. [0036]) in an effort to evaluate the risk to the lender associated with the potential loan.

***Claim Rejections - 35 USC § 103***

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

Claim 6 is rejected under 35 U.S.C. 103(a) as being unpatentable over Schmid (US 2002/0029188 A1).

Schmid does not specifically disclose representations and warranties that specific procedures were followed in developing the underwriting information. However, it is noted that the Schmid method offers third-party due diligence documentation (par. [0028]). Since such documentation is provided by a third-party and since the lender weighs such documentation in its risk assessment, it is clear that the credibility of the third-party provider would have been of extreme interest to the lender.

It would have been obvious to one of ordinary skill in the art to have provided the method of Schmid to have included an explicit representation and warranty that specific procedures are followed in developing underwriting information (such as that provided by the third-party provider of Schmid) in order to have reduced risk by ensuring the credibility of all parties with whom the lender conducts business.

Claims 10 and 82 are rejected under 35 U.S.C. 103(a) as being unpatentable over Schmid (US 2002/0029188 A1).

Schmid does not disclose a designation of at least one lender whom the applicant does not want to be informed of

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applicant's request for a loan. However, Schmid does disclose functionality which permits a lender to indicate a willingness to see projects of a desired type. Such functionality serves as an "internal screening" of the lending source database to create a list of prospective lending sources who may have initial interest in reviewing applicant's request for a loan (see par. [0023]).

It would have been obvious to one of ordinary skill in the art to have provided the method, system, and software of Schmid to have included similar functionality for the screening of prospective lenders by applicant in order to have allowed the applicant to have similarly performed an "internal screening" of the Schmid lending source database to create a list of prospective lending sources which the applicant has a willingness to transact business with.

Claims 110 and 111 are rejected under 35 U.S.C. 103(a) as being unpatentable over Schmid (US 2002/0029188 A1) in view of Official Notice.

Regarding claim 110: Although Schmid does not disclose a sealed bid format, Official Notice is taken that sealed bid formats are often employed in order that competing bidders may not gather information from others' bids in order to generate

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their own bid. The benefit of this format is that each bidder must evaluate for themselves the value of the item bid on. It would have been obvious to one of ordinary skill in the art to have provided the auction method of Schmid to have included a sealed bid format in order to have generated bids which reflect a bidders assessment of the value of a particular loan without outside influence from other bidders participating in the auction.

Regarding claim 111, it is noted that the step of providing the prospective lenders an opportunity in an auction to submit at least one open bid is a conditional step which may never be actually performed. It is only performed upon the condition that a sealed bid is not accepted. Accordingly, the recitations of this claim are considered met in the manner discussed above with regard to claim 110.

#### ***Response to Arguments***

Applicant's arguments filed March 10, 2004 have been fully considered but they are not persuasive.

The remarks are directed to the support of the Declaration under 37 CFR 1.131. However, the Declaration is not effective (as discussed above) and, accordingly, the Remarks in support of the Declaration are not persuasive.

### **Conclusion**

The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

Florance et al. (U.S. Patent No. 6871,140 B1) discloses a system and method for collection, distribution, and use of information in connection with commercial real estate (see col. 3, lines 55-67).

WO 99/13425 A1 discloses an interactive mortgage and loan information and real-time trading system.

Schneider, Howard: "Revving up Online", Mortgage Banking, Washington, Mar 1999, v59, i6, p26(7) reports on Finet Holdings and Fannie Mae's "Desktop Underwriter".

Glen, Gwendolyn: "Real Estate Finance Today", Washington, May 3, 1999, v16, i17, p10(1) reports that lenders may bid on home loans through a live Internet auction site offered by the Finet Holdings Corp.

Strickberger, Matt: "Lenders fear Freddie Mac pilot will give brokers 'portability'", National Mortgage News, New York, Jul 19, 1999, v23, i44, p39(1) reports on an automated underwriting pilot.



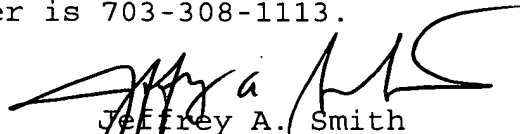
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"Ex-Nomura execs plan mortgage web site", Commercial Mortgage Alert, Newark, Apr 17, 2000, p1(2) reports on PreceptMortgage.com.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Jeffrey A. Smith whose telephone number is 703-308-3588. The examiner can normally be reached on M-F 6:30am-6:00pm.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Wynn Coggins can be reached on 703-308-1344. The fax phone number for the organization where this application or proceeding is assigned is (703) 872-9306.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is 703-308-1113.

  
Jeffrey A. Smith  
Primary Examiner  
Art Unit 3625

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